



## Senate

General Assembly

February Session, 2016

**File No. 657**

Senate Bill No. 449

*Senate, April 18, 2016*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT CONCERNING THE PILOT PROGRAM FOR THE  
ALTERNATIVE METHOD OF ASSESSMENT FOR COMMERCIAL  
PROPERTIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-63i of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2016*):

3 (a) The Secretary of the Office of Policy and Management shall  
4 establish a pilot program for not more than five municipalities of  
5 varying sizes and in different regions of the state to allow for the  
6 assessment of a commercial property based on the net profits of the  
7 business or businesses occupying such property. Municipalities shall  
8 apply to said office in the manner and form directed by the secretary  
9 for inclusion in the pilot program.

10 (b) Notwithstanding any provision of the general statutes, any  
11 municipal charter, any special act or any home rule ordinance, each  
12 municipality selected to participate in the pilot program shall, by

13 ordinance, provide for the assessment of [not more than three]  
14 commercial properties based upon the net profits from the previous  
15 calendar year of the business or businesses occupying each commercial  
16 property or, if such commercial property was vacant, on the net profits  
17 anticipated by a new business tenant of such commercial property. A  
18 participating municipality shall include in the ordinance adopting  
19 such assessment method (1) a description of commercial properties  
20 that are eligible for such assessment method, (2) a requirement that all  
21 parties affected by the use of such assessment method, including the  
22 owner or owners of the commercial property, the business or  
23 businesses occupying such property and the municipality, agree to the  
24 use of such assessment method, (3) a description of how the rate of  
25 assessment for such commercial properties will be determined, based  
26 upon such net profits or anticipated net profits, (4) provision for an  
27 application process, including documentation required from the owner  
28 of a commercial property to demonstrate the benefits to the  
29 municipality and such commercial property of such assessment  
30 method, and (5) provision for the phase-out of such assessment  
31 method on individual commercial properties, so such properties may  
32 be returned to the assessment method otherwise required by this  
33 chapter.

34 (c) The Secretary of the Office of Policy and Management shall, not  
35 later than January 1, 2015, and annually thereafter, report in  
36 accordance with the provisions of section 11-4a to the joint standing  
37 committee of the General Assembly having cognizance of matters  
38 relating to finance, revenue and bonding, regarding the program  
39 established by this section. Such report shall include a description of  
40 (1) efforts made by the office to inform municipalities about the  
41 program, (2) the application process developed by the office, (3)  
42 inquiries and applications received from municipalities regarding  
43 participation in the program, and (4) legislative changes that may be  
44 considered to improve the program.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>October 1, 2016</i>	12-63i
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**FIN**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 17 \$</b>	<b>FY 18 \$</b>
Various Municipalities	Potential Revenue Gain	None	See Below

***Explanation***

The bill allows eligible municipalities to expand a pilot property taxation program to more than three commercial properties. Presumably, a municipality would only do this if it anticipated that a revenue gain would result. Such revenue gain would depend on the net profits of the properties to which a municipality expanded the program.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to municipal mill rates, grand lists, and the net profits of participating businesses.

**OLR Bill Analysis****SB 449*****AN ACT CONCERNING THE PILOT PROGRAM FOR THE ALTERNATIVE METHOD OF ASSESSMENT FOR COMMERCIAL PROPERTIES.*****SUMMARY:**

Municipalities assess most real and personal property for property taxes based on a property's fair market value, but under a pilot program, up to five participating municipalities may each assess up to three commercial properties based on the net profits of their business occupants if the property's owners and tenants agree. This bill allows participating municipalities to assess all commercial property on this basis, if their owners and their tenants agree.

By law, municipalities that wish to assess commercial property based on net profits must apply to the Office of Policy and Management. Those selected for the program must adopt ordinances specifying the conditions and requirements for instituting these assessments. Currently, no municipalities have applied to participate in the program since it was launched in 2014.

EFFECTIVE DATE: October 1, 2016

**BACKGROUND*****Ordinance for Assessing Commercial Property Based on Net Profits***

PA 14-174 established this OPM-administered pilot program under which a municipality may, by ordinance, assess commercial property based on the net profits of the businesses that operate on it. The implementing ordinance must:

1. describe the properties eligible for this type of assessment,

2. describe how the tax rate for the net profits or anticipated net profits will be determined,
3. require agreement between the municipality and the property's owners and tenants on the assessment method before the municipality institutes it,
4. specify how property owners or tenants may apply for the program,
5. require property owners seeking this assessment method to show how it would benefit the property and the municipality, and
6. provide for a phase-out of the method and a return to an assessment based on fair market value.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea    50    Nay   0    (03/31/2016)